

Message Text

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PAGE 01 EC BRU 02428 101753Z

71

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AMEMBASSY LUSAKA

C O N F I D E N T I A L EC BRUSSELS 02428

DEPARTMENT PASS AID

PARIS FOR HELMAN

E.O. 11652: GDS

TAGS: PFOR, EAID, ZA, CG, AO

SUBJECT: AID TO ZAIRE AND ZAMBIA

1. DURING CONSULTATION OF AID/DAA FOR AFRICA BROWN WITH DUTCH AID OFFICIALS REGARDING WEST AFRICA AND THE CLUB DES AMIS DU SAHEL ON MARCH 8, OPPORTUNITY ALSO AROSE FOR DISCUSSION OF AID NEEDS OF ZAIRE AND ZAMBIA.

2. BROWN EXPRESSED CONCERN WHICH US FELT REGARDING SHORT-TERM FINANCIAL NEEDS OF THESE TWO COUNTRIES. HE EXPLAINED FY76 PROGRAM FOR ZAIRE AND THE FACT THAT US WAS GIVING CONSIDERATION TO ADDITIONAL ASSISTANCE IN THE COMING FISCAL YEAR FOR ZAIRE AND ZAMBIA. HE NOTED THAT IN BOTH CASES CURRENT PROBLEMS ARE PRIMARILY CAUSED BY CURRENT LOW COPPER PRICES EXACERBATED BY TRANSPORT PROBLEMS OF THE REGION, BUT THAT THERE ARE ALSO STRUCTURAL DIFFERENCES UNDERLYING THE TWO ECONOMIES WHICH AFFECT THEIR LONGER TERM DEVELOPMENT POTENTIAL.

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PAGE 02 EC BRU 02428 101753Z

3. BROWN NOTED THAT IN THE CASE OF ZAIRE THERE WAS NOW SUBSTANTIAL HOPE, IF EXTERNAL RESOURCES ARE FORTHCOMING, THAT AN IMPROVEMENT IN THE SITUATION CAN BE EXPECTED. THIS BASED ON THE FACT THAT ZAIRE HAS ACCEPTED AN IMF PROPOSED STABILIZATION PROGRAM OF SUBSTANTIAL MAGNITUDE. IN THE CASE OF ZAMBIA, GOZ HAD ONLY RECENTLY LAUNCHED APPEAL FOR EXTERNAL HELP BUT IT DOES APPEAR TO US THAT SUBSTANTIAL HELP IS JUSTIFIED.

4. DUTCH OFFICIALS STATED THEY RECOGNIZED PROBLEMS EXISTED IN BOTH COUNTRIES BUT THEY EXPECTED THE EDF (AND BELGIUM) TO CARRY OUT THE MAJOR EUROPEAN RESPONSE TO THESE NEEDS AND THAT THE DUTCH HAD NO INTENTIONS FOR BILATERAL ROLE IN MEETING SHORT-TERM NEEDS. HOWEVER, THE DUTCH DO EXPECT TO CONTINUE MODEST BILATERAL CAPITAL AID PROGRAM IN ZAMBIA (ABOUT 10 MILLION GUILDERS) AND HAVE MADE AN INDIRECT CONTRIBUTION TO ZAMBIA'S NEEDS--THEY ARE PICKING UP THE COSTS OF A FOOD CREDIT WHICH ZAMBIA HAD PREVIOUSLY PROVIDED TO TANZANIA (WITH A VALUE OF APPROXIMATELY 60 MILLION GUILDERS).

5. THE DUTCH INDICATED THAT THEIR RETICENCE IN DEALING WITH SHORT-TERM PROBLEMS OF BOTH COUNTRIES IS DUE IN PART TO BELIEF THAT NEITHER HAD DONE ENOUGH TO HELP EVOLUTION OF SOUTHERN AFRICAN ISSUES, ALTHOUGH KAUNDA SEEMED MORE INVOLVED IN THIS PROCESS NOW. BROWN RESPONDED THAT HOWEVER ONE FELT ABOUT THE PACE OF THIS EVOLUTION, IT COULD NOT BE HELPED BY THE REGIONAL INSTABILITY REPRESENTED BY ZAIRE'S AND ZAMBIA'S CURRENT ECONOMIC SITUATION. HINTON

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